



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0305	Title:	Revise school retirement funding
Primary Sponsor:	Boss Ribs, Frosty	Status:	As Amended

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$3,052,935	\$3,144,523	\$3,238,858	\$3,356,024
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$3,052,935)</u>	<u>(\$3,144,523)</u>	<u>(\$3,238,858)</u>	<u>(\$3,356,024)</u>

Description of fiscal impact: HB 305 will increase state general fund costs for guaranteed tax base aid by \$3.05 million in FY 2010 and \$3.14 million in FY 2011. County property tax levies are anticipated to increase by \$7.85 million in FY 2010 and \$8.09 million in FY 2011.

FISCAL ANALYSIS

Assumptions:

- Retirement benefits paid by school districts include employer contributions to retirement systems, unemployment insurance, social security, and Medicare.
- Under HB 305, school districts would have the option to charge retirement benefits to the retirement fund or federal funds for employees who are paid from federal funds.
- Salaries for employees paid from federal funds, other than Impact Aid, in the base year FY 2008 totaled \$68.5 million.
- Based on projections from the U.S. Dept. of Education, there will be a slight increase in federal funding from FY 2010 to FY 2011. For the purposes of this fiscal note, it is assumed there may be no increase in federal funding in FY 2012 or FY 2013. However, based upon state historical trends, salaries will increase by 3% each year. District federal fund balances or district operating expenditures in federal programs may have to decrease to offset the increased salary costs.

5. The 2005 Legislature adopted SB 333, which allows school districts to charge the retirement fund for employer contributions associated with salaries and benefits paid from federal Impact Aid.
6. Estimated salaries paid from federal programs increasing 3% per year from base year FY 2008 are shown below:

<u>Fiscal Year</u>	<u>Estimated Federal Salaries</u>
FY 2010	\$72,688,920
FY 2011	\$74,869,588
FY 2012	\$77,115,676
FY 2013	\$79,429,146

7. The estimated benefit rate is 15% based upon FY 2008 employer contribution rates:

	<u>Certified Staff</u>	<u>Classified Staff</u>
TRS	7.47%	
PERS		6.90%
FICA	6.20%	6.20%
Medicare	1.45%	1.45%
Unemployment	0.02%	0.02%
Totals	15.14%	14.57%

8. Based on budget data from FY 2008, the state pays retirement guaranteed tax base aid (GTB) of approximately 28% of the countywide retirement tax levy.
9. The estimated cost to the state and county is shown below:

Fiscal Year	Estimated Federal Salaries	Estimated Benefit Rate	Retirement Cost	State Share	County Share
2010	\$72,688,920	15%	\$10,903,338	\$3,052,935	\$7,850,403
2011	\$74,869,588	15%	\$11,230,438	\$3,144,523	\$8,085,915
2012	\$77,115,676	15%	\$11,567,351	\$3,238,858	\$8,328,493
2013	\$79,429,146	15%	\$11,914,372	\$3,336,024	\$8,578,348

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services	\$3,052,935	\$3,144,523	\$3,238,858	\$3,336,024
<u>Funding of Expenditures:</u>				
General Fund (01)	\$3,052,935	\$3,144,523	\$3,238,858	\$3,336,024
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$3,052,935)	(\$3,144,523)	(\$3,238,858)	(\$3,336,024)

Effect on County or Other Local Revenues or Expenditures:

1. School districts will respond to HB 305 in two ways. Some districts will continue to charge federal programs for benefits and not increase property taxes. Others may shift the costs from the federal programs to the retirement fund and increase property taxes. For purposes of this fiscal note, it is assumed that all districts will shift retirement for federally funded salaries to the retirement fund.
2. Net county property taxes for retirement budgets are projected to increase by \$7.85 million in FY 2010 and \$8.09 million in FY 2011.

Long-Term Impacts:

1. Schools could have more federal funds available to provide direct services to students.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date